IN THE SPECIFICATION

Please replace the paragraph beginning at page 9, line 26 with the following paragraph:

Central to these control mechanisms is an understanding that the relative competitiveness of product companies is typically controlled by the average cost of component materials of the products provided by the companies. Consequently, the models described herein provide incentives by basing both the royalty and mark-up rates on a common factor that is the cost of at least one of the component materials of the product. The incentives, therefore, equalize the effects of fluctuations in material costs on both parties and provide the small company with pricing power in the market that rivals that of the large company. In addition to the natural incentives, the methods and models described herein also make the actual value of the common factor, the material cost, irrelevant to the transaction because the common factor has a relatively equivalent impact on both parties.